BRCC FACILITIES CORPORATION
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS
June 30, 2014 and 2013

TWRU
CPAs & Financial Advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
BRCC Facilities Corporation
Baton Rouge, Louisiana

We have audited the accompanying financial statements of BRCC Facilities Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRCC Facilities Corporation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 21, 2014, on our consideration of BRCC Facilities Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRCC Facilities Corporation's internal control over financial reporting and compliance.

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Baton Rouge, Louisiana
July 21, 2014

BRCC FACILITIES CORPORATION
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
(See Accompanying Notes to Financial Statements)

ASSETS

	June 30, 2014	June 30, 2013
CURRENT ASSETS:		
Accrued Interest Receivable	$ 10	$ 10
Total Current Assets	10	10
OTHER ASSETS:		
Restricted Cash and Cash Equivalents	6,688,045	6,637,481
Rental Property, Plant, and Equipment, Net of Accumulated Depreciation of $27,148,713 and $24,573,855, respectively	55,003,205	57,013,972
Escrow for Legal Fees	28,817	28,817
Deferred Financing Costs, Net of Accumulated Amortization of $460,338 and $369,312, respectively	798,055	889,081
Total Other Assets	62,518,122	64,569,351
Total Assets	$ 62,518,132	$ 64,569,361

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES:		
Accounts Payable	$ 2,255	$ 1,772
Accrued Interest Payable	192,267	200,723
Bonds Payable	2,010,000	1,935,000
Total Current Liabilities	2,204,522	2,137,495
NON-CURRENT LIABILITIES:		
Bonds Payable, Net of Premium and Current Portion	56,883,831	59,147,743
Total Non-Current Liabilities	56,883,831	59,147,743
Total Liabilities	59,088,353	61,285,238
NET ASSETS:		
Temporarily Restricted	3,429,779	3,284,123
Total Liabilities and Net Assets	$ 62,518,132	$ 64,569,361

BRCC FACILITIES CORPORATION
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
(See Accompanying Notes to Financial Statements)

	For the Years Ended June 30, 2014	2013
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES:		
Lease Income	$ 4,387,638	$ 4,517,662
Net Assets Released Through Satisfaction of Requirements	604,344	462,528
Total Revenues	4,991,982	4,980,190
OPERATING EXPENSES:		
Professional Expenses	31,355	39,464
Depreciation Expense	2,574,858	2,560,810
Other Operating Expenses	104,666	67,970
Total Operating Expenses	2,710,879	2,668,244
Net Operating Income	2,281,103	2,311,946
NON-OPERATING INCOME (EXPENSES):		
Investment Income	193	90
Interest Expense	(2,190,270)	(2,215,082)
Amortization Expense	(91,026)	(96,954)
Total Non-Operating Expenses	(2,281,103)	(2,311,946)
Increase in Unrestricted Net Assets	-	-
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Lease Income - Maintenance Reserve Funding	750,000	750,000
Net Assets Released from Restrictions by Satisfaction of Requirements	(604,344)	(462,528)
Increase in Temporarily Restricted Net Assets	145,656	287,472
CHANGE IN NET ASSETS:	145,656	287,472
Net Assets - Beginning of Year	3,284,123	2,996,651
Net Assets - End of Year	$ 3,429,779	$ 3,284,123

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BRCC FACILITIES CORPORATION
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
(See Accompanying Notes to Financial Statements)

	For the Years Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Lease Income Received	$ 4,387,638	$ 4,517,662
Operating Expenses	(135,538)	(134,479)
Net Cash Provided by Operating Activities	4,252,100	4,383,183
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from Interest Income	193	90
Facilities Construction Costs	(564,091)	(311,700)
Net Cash Used by Investing Activities	(563,898)	(311,610)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for Interest	(2,452,638)	(2,682,662)
Payments on Bond Payable	(1,935,000)	(1,835,000)
Lease Income Deposited into Maintenance Reserve Fund	750,000	750,000
Net Cash Used by Financing Activities	(3,637,638)	(3,767,662)
Net Increase in Cash and Cash Equivalents	50,564	303,911
Cash and Cash Equivalents at Beginning of Year	6,637,481	6,333,570
Cash and Cash Equivalents at End of Year	$ 6,688,045	$ 6,637,481

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2014	2013
Increase in Net Assets	$ 145,656	$ 287,472
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	2,574,858	2,560,810
Amortization of Deferred Financing Costs	91,026	96,954
Investment Income Included in Investing Activities	(193)	(90)
Reduction of Interest Expense for Amortization of Bond Premium Included in Financing Activities	(253,912)	(332,028)
Interest Expense Included in Financing Activities	2,444,182	2,547,110
Lease Income - Maintenance Reserve Funding Included in Financing Activities	(750,000)	(750,000)
Increase in Escrow for Legal Fees	-	(28,817)
Increase (Decrease) in Accounts Payable	483	1,772
Net Cash Provided by Operating Activities	$ 4,252,100	$ 4,383,183

BRCC FACILITIES CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS-1-
June 30, 2014 and 2013

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization –BRCC Facilities Corporation (the Corporation) is a Louisiana non-profit corporation formed to support and benefit the educational, scientific research and public service mission of the Baton Rouge Community College (the College). The Corporation was formed during 2002 to finance a portion of the costs of the development, design, renovation, construction and equipping of facilities for the College. Governmental Accounting Standards Board (GASB) pronouncement No. 14 "*The Financial Reporting Entity*" requires inclusion of the Corporations financial statements in the Baton Rouge Community College's financial statements.

Basis of Accounting – Transactions of the Corporation are accounted for on the accrual basis of accounting. The Corporation uses various trust accounts created pursuant to trust indentures of the related bonds. The trust accounts, which are administered by a trustee bank, provide for the custody of the assets, debt service payments and bond redemption requirements, and payment of administrative expenses.

Deferred Financing Costs – Bond issuance costs, including underwriters' discount on bonds sold, are deferred and amortized over the life of the indebtedness based upon the principal amount of bonds outstanding.

Restricted Cash and Cash Equivalents – For financial reporting purposes, cash and cash equivalents include all highly liquid investments with an original maturity for three months or less. All cash and cash equivalents held by the corporation are restricted for debt service and construction costs.

Bond Premiums – Premiums incurred upon issuance of bonds are deferred and amortized to interest expense over the life of the related bonds using a method that approximates the interest method.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Interest Capitalized – The Corporation follows the policy of capitalizing interest expense incurred as a component of the cost of property, plant and equipment constructed for its own use and appropriately offsets the capitalized interest with interest earned on tax-exempt borrowings to fund the construction. The Corporation had no interest capitalized for the years ended June 30, 2014 and 2013.

Property, Plant and Equipment – The Corporation originally records property, plant and equipment at cost of acquisition. Depreciation expense for property, plant and equipment commences when the assets are placed in service and is computed using the straight line method with an estimated useful life of 5 to 39 years.

Revenue Recognition – Revenues are recorded as unrestricted, temporarily restricted or permanently restricted revenues, depending on the existence or nature of any governmental restrictions. Revenue that is restricted is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted revenues whose restrictions are met in the same reporting period are reported as unrestricted revenue.

Income Taxes – The Corporation is organized as a Louisiana non-profit 501(c) (3) corporation and as such is exempt from state and federal income taxes.

BRCC FACILITIES CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS-2-
June 30, 2014 and 2013

NOTE 2: RELATED PARTY TRANSACTIONS

The Corporation reimburses Louisiana Community and Technical College System (LCTCS) for repairs they pay on behalf of the Corporation. During the years ended June 30, 2014 and 2013, the Corporation reimbursed LCTCS $0 and $0, respectively.

NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consist of U.S. Treasury obligations which represent deposits in money market funds invested in U.S. Treasury Securities. Fair values of these instruments approximate cost.

Substantially all cash and cash equivalents are restricted for debt service and construction and maintenance costs. At June 30, 2014 and 2013, cash and cash equivalents consisted of the following:

	2014	2013
Demand Deposits	$ 12,205	$ 13,473
Money Markets	6,675,840	6,624,008
Total Restricted Cash and Cash Equivalents	$ 6,688,045	$ 6,637,481

NOTE 4: BONDS PAYABLE

The bonds are limited and special revenue obligations of the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority), the source of the payment of which will be derived from the payments due to the Corporation under a facilities lease agreement (See Note 5) with the College. The obligation of the Corporation to make payments to the Authority for debt service is limited to the rents received from the Board of the College. The Corporation has assigned its rights under the facility lease to the Authority as security of the bonds. The net proceeds obtained from the bond issue are to be used to finance a portion of the development, design, renovation, construction and equipping of facilities for the College.

During the year ended June 30, 2012, the Corporation issued refunding revenue bonds and placed the proceeds in an escrow account to be used to payoff the original bonds at their first call date on December 1, 2012.

At June 30, 2014, bonds payable outstanding were as follows:

	Interest Rate	Principal Amount	Accrued Interest
Bonds Payable			
Serial Bonds due 2014 – 2017	5.500%	$ 1,285,000	$ 5,615
Serial Bonds due 2014 – 2027	4.098%	31,495,000	102,596
Term Bonds due 2032	4.125%	16,605,000	54,421
Serial Bonds due 2014 – 2029	4.958%	7,520,000	29,635
		56,905,000	$ 192,267
Premium		3,911,391	
Accumulated Amortization of Premium		(1,922,560)	
Bonds Payable, net		$ 58,893,831	

BRCC FACILITIES CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS-3-
June 30, 2014 and 2013

NOTE 4: BONDS PAYABLE (CONTINUED)

At June 30, 2013, bonds payable outstanding were as follows:

	Interest Rate	Principal Amount	Accrued Interest
Bonds Payable (for Years Ending June 30,)			
Serial Bonds due 2013 – 2017	5.500%	$ 3,220,000	$ 14,071
Serial Bonds Due 2013 - 2027	4.098%	31,495,000	102,596
Term Bonds due 2032	4.125%	16,605,000	54,421
Serial Bonds due 2013 – 2029	4.958%	7,520,000	29,635
		58,840,000	$ 200,723
Premium		3,911,391	
Accumulated Amortization of Premium		(1,668,648)	
Bonds Payable, net		$ 61,082,743	

At June 30, 2014, the debt service for all bond issues were as follows:

For the Years Ending June 30,:	Principal	Interest
2015	$ 2,010,000	$ 2,385,433
2016	2,065,000	2,319,762
2017	2,125,000	2,254,692
2018	2,205,000	2,177,424
2019	2,275,000	2,087,824
2020-2024	12,905,000	8,900,103
2025-2029	16,715,000	5,606,395
2030-2033	16,605,000	1,404,872
	$ 56,905,000	$ 27,136,505

NOTE 5: LEASE AGREEMENTS

The Corporation leases facilities and equipment to the College under a facilities lease agreement which provides for base rental payments due semi-annually beginning November 15, 2003 and expiring on December 1, 2032. The amount of the payments is equal to the required semi-annual debt service of the bonds, due to be paid on June 1 and December 1 of each year. Assets held for lease at June 30, 2014 and 2013, consisted of all property, plant and equipment.

It is anticipated that the base rental will be sufficient to meet the principal and interest payment obligation of the bonds; however, the College's ability to make payments of base rental under the facilities lease will be subject to annual appropriation of funds sufficient for such purpose by the Louisiana Legislature. The College is under no obligation to use any other of its funds to make payment of base rental.

The future minimum lease payments to be received from the lease during the next five years are as follows:

For the Years Ending:	Amount
2015	$ 4,395,433
2016	$ 4,384,762
2017	$ 4,379,692
2018	$ 4,382,424
2019	$ 4,362,824

BRCC FACILITIES CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS-4-
June 30, 2014 and 2013

NOTE 5: LEASE AGREEMENTS (CONTINUED)

In connection with the lease of facilities and equipment to the College under a facilities lease agreement, the terms of the cooperative endeavor call for a maintenance reserve fund to be established and for the College to make payments equal to 1.5% of hard construction costs with total lease payments plus maintenance reserve fund payments to not exceed $5,950,000 in any given year. Total payments to the maintenance reserve fund for the years ended June 30, 2014 and 2013 were $750,000 and $750,000, respectively. The maintenance reserve fund is included in restricted cash and cash equivalents. At June 30, 2014 and 2013, the maintenance reserve fund of $5,800,549 and $5,718,019, respectively, is included in temporarily restricted net assets.

The future estimated payments to the maintenance reserve fund during the next five years are as follows:

For the Years Ending:	Amount
2015	$ 750,000
2016	$ 750,000
2017	$ 750,000
2018	$ 750,000
2019	$ 750,000

NOTE 6: CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash in bank deposit accounts which exceed federally insured limits. The Corporation has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash.

NOTE 7: SCHEDULE OF RENTAL PROPERTY, PLANT AND EQUIPMENT

The following assets are located on land owned by the Baton Rouge Community College:

	Balance June 30, 2013	Additions	Transfers	Balance June 30, 2014
Other Capital Assets:				
Buildings	$70,782,900	$ 564,091	$ -	$71,346,991
Furniture & Equipment	10,804,927	-	-	10,804,927
Less Accumulated Depreciation	(24,573,855)	(2,574,858)	-	(27,148,713)
Total Other Capital Assets	$57,013,972	$ (2,010,767)	$ -	$55,003,205

NOTE 8: INCOME TAXES

The Corporation is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Corporation believes that is has no unrelated business activities and no uncertain tax positions that are material to the financial statements.

With few exceptions, the statute of limitations for the examination of the Corporation's federal Returns of Organization Exempt from Income Tax (Form 990) is generally three years from the due date of the tax returns, including extensions. The tax years open for assessment are the years ending on or after June 30, 2011.

BRCC FACILITIES CORPORATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS-5-
June 30, 2014 and 2013

NOTE 9: COMMITMENTS

All the assets of the organization are subject to a leasehold mortgage on the building and improvements and a UCC lien on the personal property. These liens secure the tax exempt debt of the Corporation.

In connection with the facilities lease, the Corporation has granted the College has an option to purchase all of the facilities and equipment at any time for a purchase price equal to the principal of all bonds then outstanding plus the interest to accrue on such bonds until the purchase date plus any prepayment penalties, charges or costs for early prepayment or defeasance of the bonds and any administrative expenses owed prior to the purchase date.

NOTE 10: CONCENTRATIONS

The Corporation receives 100% of its income from the State of Louisiana.

NOTE 11: SUBSEQUENT EVENTS

The Corporation has evaluated all subsequent events through July 21, 2014, the date the financial statements were available to be issued.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
BRCC Facilities Corporation
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of BRCC Facilities Corporation (a nonprofit organization) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 21, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BRCC Facilities Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BRCC Facilities Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BRCC Facilities Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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CPAs & Financial Advisors
Baton Rouge, Louisiana
July 21, 2014